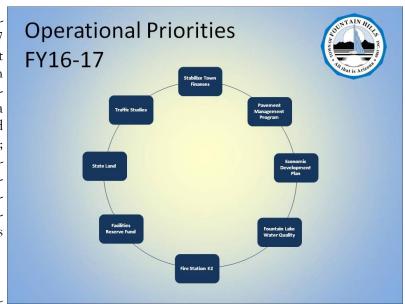
TAIN HILLS

Town of Fountain Hills, AZ

FY16-17 PROPOSED BUDGET IN BRIEF

To frame the many decisions that have laid the foundation for projections contained in the FY16-17 budget, it is necessary to reflect briefly on the past fiscal year. FY15-16 began with an expectation of an economic recovery with a modest increase in revenues—the local economy is showing signs of such a modest recovery this fiscal year. However, FY16-17 and beyond brings new challenges with a shift in priorities; the Town Council, in FY13-14, established the management of the Town's infrastructure (streets) as a priority, level with public safety. Unfortunately, the economic recovery has slowed the Town's ability to provide an asphalt replacement/maintenance schedule as desired.



In order to balance the budget, not only for the up-

coming fiscal year but for the foreseeable future, the Town Manager, Council and staff are working together to develop a sustainable plan that incorporates the citizens' strategic plan and the Council goals.

Over six years ago, the Public Works Department and the Community Development Department were combined into the Development Services Department. For FY16-17, the Public Works Department was recreated to be used to help implement a Facilities Replacement strategy for addressing our aging infrastructure, as well as overseeing the Capital Improvement Program, Pavement Management Program, and the next street reconstruction bond package for 2020.

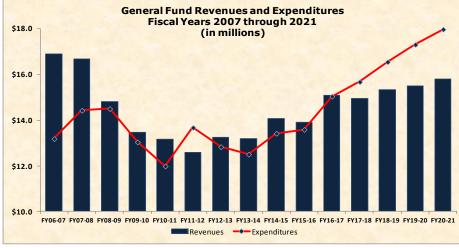
MISSION STATEMENT

The Town of Fountain Hills' purpose is to serve the best interests of the community by:

providing for its safety and well-being; respecting its special, small-town character and quality of life; providing superior public services;

sustaining the public trust through open and responsive government; and maintaining the stewardship and preservation of its financial and natural resources.

To serve and respect, and provide trust and stewardship.

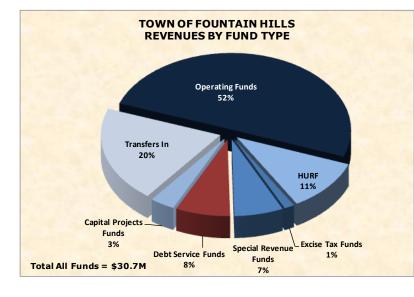


In the right direction but far to go....



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TOWN-WIDE REVENUE SOURCES



Long-Term Concerns and Issues

The primary long-term issues that the Town of Fountain Hills is facing are:

- Aging infrastructure
- Decreased proportionate share of State Shared revenues due to increased population of surrounding communities
- Lack of sustainable or diversified revenue base
- Dependence upon State Shared revenues
- Business attraction and retention
- Implementation of a Downtown Vision Master Plan

Strategic Plan 2010 honors and continues the Fountain Hills tradition of citizen-driven planning. Some of the goals will span decades, so it is essential that the updated Plan provides both long-range direction to achieve our vision yet have the flexibility to implement the latest and best technologies and strategies as opportunities arise.

Based on citizen input, the Strategic Plan is designed to guide our future decisions grounded on these common values:

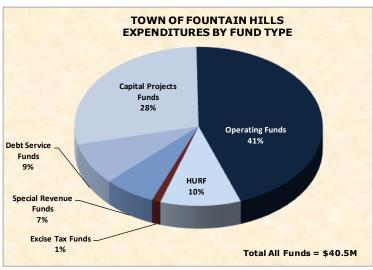
- Civility
- Civic Responsibility
- Environmental Stewardship
- Education, Learning and Culture
- Economic Vitality
- Maintain and Improve Community Infrastructure
- Recreational Opportunities and Amenities
- Public Safety, Health and Welfare

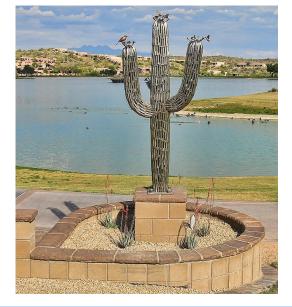
Total revenues for all funds are estimated at \$30.7M. Two major projects currently in progress, will be carried forward into this year—the completion of the Ashbrook Wash Channelization project and the Adero Canyon trailhead.

The Operating Funds portion represents approximately 52% of the total resources. The Streets (HURF) fund represents 11% while the Excise Tax funds represent only 1% of the total. Special Revenue (grants), Capital Projects, Transfers In, and Debt Service represents the remaining percents.

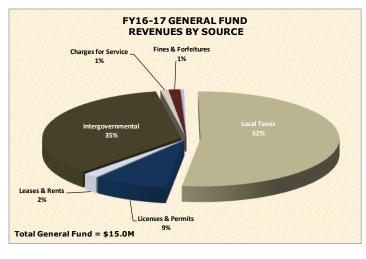
Developing the proposed budget, therefore, required making choices to achieve a budget that balances the available resources with the Council goals, while maintaining a level of service to support a high quality of life in Fountain Hills.

TOWN-WIDE EXPENDITURE USES





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The General Fund supports core services and is the largest fund with the greatest potential for revenue fluctuations. Revenues from the local sales taxes and State Shared revenues provide the major resources to fund programs and services delivered by the Town -87%. The remainder is derived from permits, licenses, fees and charges for services at 13%.

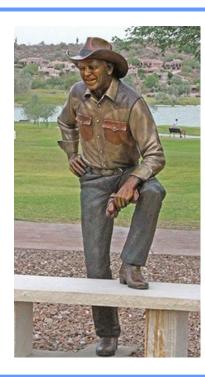
In FY13-14, the Town allocated Vehicle License Tax (a Stateshared revenue) to the Highway User Revenue Fund for pavement management – a reduction in the General Fund. This transfer of revenue will continue in FY16-17 with the estimated budgeted revenue of \$929,000.

General Fund pays for:

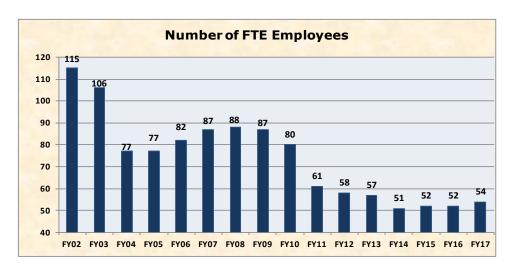
\$7.6M
\$2.2M
\$1.8M
\$3.1M
\$0.3M

FY16-17 GENERAL FUND EXPENDITURES BY USE General (Police & Fire) Services Total General Fund = \$15.0M

"Be the change that you wish to see in the world." Mahatma Gandhi



Delivery of service to the citizens of Fountain Hills is dependent upon the number of employees who can perform the service.



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The shortfall in the Town's General Fund, as the main operating fund, is projected to increase over the next four years with no plans for new revenue sources. An annexed parcel of 1,300 acres was previously projected to begin development in FY13-14; however, in March 2016, the land reverted back to the State due to the default of the purchaser. The Town has not included any significant revenue from any new major developments within the next five years; new expenditure proposals must consider where the resources to L pay for the program will come from. If there is no new *Surplus is an estimate, based on projected one time building activity that may will outpace the revenues and the citizens will be mak- except public safety contracts which may be higher. ing some tough choices about levels of service in Fountain Hills.

A Look into the Future...

FISCAL YEAR (July to June)	STATE SHARED REVENUES	LOCAL REVENUES	TOTAL GF EXPEND.	SURPLUS/ (SHORTFALL)
2016-17	5,213,309	9,828,983	15,042,292	-
2017-18	5,340,454	9,614,569	15,676,235	(721,212)
2018-19	5,470,827	9,847,712	16,545,622	(1,227,083)
2019-20	5,604,516	9,897,021	17,304,120	(1,802,583)
2020-21	5,741,606	10,064,662	17,970,979	(2,164,711)

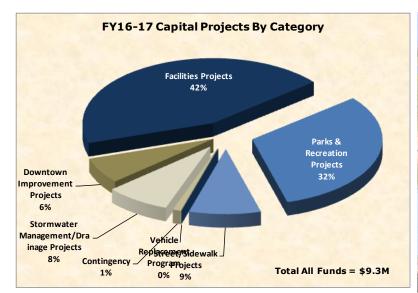
development over the next few years, the expenditures not be realized; Expenditure increases are estimated at 2.5%-3.5% per year

Capital Projects proposed for FY16-17 ... and how they will be paid for ...

Capital projects are funded with bond proceeds (if approved by voters), grant funds or use of fund reserves. The Town has \$5.5M in reserves in the Capital Improvement Projects (CIP) Fund, including development fees, that accumulated when the economy was booming from construction sales tax and General Fund surpluses. Construction sales tax is a one time revenue that should be used for one time expenditures; until construction activity resumes, there are limited resources being added to the CIP fund.

The two largest projects for FY 16-17 are the Fire Station 2 Relocation project and the Adero Canyon Trailhead project. The Fire Station 2 Relocation project is budgeted to be paid primarily from the Capital Projects fund, while 80% of the Adero Canyon Trailhead project is budgeted to be paid from Development Fees.

Below is a summary of proposed capital projects for FY15-16 by category.





Phone Website www.fh.az.gov



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